

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2578 – SB 2569

March 14, 2016

SUMMARY OF ORIGINAL BILL: Restructures the Tennessee Board of Regents (TBR) such that the four-year institutions that are currently Regents members will have their own autonomous boards (henceforth known as Boards) with certain vested powers. Creates a transition period from July 1, 2016, to November 30, 2017, during which time TBR shall continue to maintain certain central office functions for the four-year institutions such as data systems; capital project planning and management; and procurement. During the transition period the Tennessee Higher Education Commission (THEC) will solicit and approve or deny requests from the state university boards to assume these functions by November 30, 2017. If a state university initially opts to continue to have these functions performed by TBR Central Office staff, the university retains the right to assume these duties.. Authorizes Boards to set their own tuition rates and maintain separate bank accounts. Sets forth various changes to effectuate the separation of the state university system from the Tennessee Board of Regents. Requires each new Board to consist of 10 members; 9 voting and 1 non-voting member. Requires eight of the voting members to be appointed by the Governor; with an additional voting faculty member selected by each respective Board. Requires a student to serve as a non-voting 10th Board member. Sets forth the term and qualifications of certain Board members. Sets forth the procedure by which Board members may be removed. Requires all meetings of the respective Boards to be video-streamed from each institution's website and archived.

Authorizes each new Board to hire and terminate employees; approve operating budgets for their respective institutions; prescribe curricula and requirements for degrees and diplomas; purchase or condemn land subject to state regulations; erect buildings; borrow money subject to the approval of the State School Bond Authority; and contract with any private parties.

Requires THEC to establish and ensure that all postsecondary institutions continue to provide an integrated system of postsecondary education. Requires a president from a state university to be added to the THEC funding formula committee and for THEC to develop a comprehensive strategic financial plan. Requires THEC to annually approve a binding tuition and fee policy that shall include two approved ranges of allowed adjustments; one for modification to the tuition rates and one for a modification to the combined total of tuition and mandatory fees. Requires the THEC Executive Director, in addition to the Chancellor of TBR and the President of the University of Tennessee system, to review state legislative funding requests.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$416,000

Other Fiscal Impact – There will be unknown impacts to the existing Tennessee Board of Regents state university and community college systems including, but not limited to, changes in tuition and fee funding levels, reallocation of existing funding, and changes in employment levels within the TBR Central Office and TBR universities. These changes will occur at the discretion of each newly-appointed university board of trustees. As a result, any such impacts cannot be reasonably quantified.

Recurring funding in the amount of \$416,400, on page B-88, is included in the Governor's Recommended Budget for FY16-17.

SUMMARY OF AMENDMENT (013986): Deletes and rewrites Section 21 such that the substantive change is to require that the Tennessee Board of Regents retain all powers and duties with respect to each state university, community college, or Tennessee College of Applied Technology including but not limited to any projects at these institutions which are necessary to fulfill its covenants, representations, agreements, and obligations under any financing agreement that is existing between the Board of Regents and the Tennessee State School Bond Authority.

Deletes and rewrites Section 29 such that the only substantive change is to require that each president of a Board of Regents state university be a member of the newly-created review committee to aid in the development and revision of the higher education master plan and funding formula. Adds language to prohibit any change in tuition or fee policy from being made which, in the opinion of the Board of Regents, might adversely affect compliance with, or future borrowings pursuant to financing agreements with the Tennessee State School Bond Authority.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Based on information from the Department of Finance and Administration, THEC will employ two academic affairs officers and one capital outlay director to assist with THEC's new duties and setting up the new state university system. The increase in state expenditures for each person is estimated to be \$138,800; thus, a recurring increase in state expenditures of \$416,400 (\$138,800 x 3).
- Recurring funding in the amount of \$416,400 is included, on page B-88, in the Governor's FY16-17 recommended budget.

- Based on information from the Board of Regents, the Central Office received \$8,767,803 in chargebacks from community colleges and universities from the provision of Central Office functions in FY15-16. Of this amount, \$5,809,522 was received from TBR universities and \$2,554,881 was received from TBR community colleges.
- In FY17-18 and subsequent years, state universities will have increases in tuition revenue and in expenditures for new personnel, contracts, additional financial liabilities as the result of favorable votes of each respective Board, and travel costs for new Board members; however, such increases cannot be reasonably quantified and are dependent upon multiple unknown factors such as the guidelines that will be set by THEC for increasing tuition and fees; the number of personnel that each Board will elect to employ; whether each Board decides to use third-parties or employ personnel to provide services formerly performed by TBR Central Office staff; travel costs for each new Board member; and the decisions that each Board will make relative to the incursion of additional financial liabilities.
- The TBR Central Office staff may be reduced, dependent upon the extent of services that the Central Office is providing after November 30, 2017. Any related fiscal impact cannot be reasonably determined.
- No fiscal impact on the lottery scholarship program.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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